



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 6/2/2006

GAIN Report Number: PE6008

Peru

Asparagus

Annual

2006

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Report Highlights:

Asparagus production is forecast at 208,000MT in CY 2007. Peru's fresh asparagus exports in CY 2005 were 80,029 MT of which 74 percent went to the U.S. Peruvian asparagus production and exports are forecast to continue with its upward trend in the upcoming years.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lima [PE1]
[PE]

Summary

Asparagus production in Peru continues increasing and is expected to reach 205,000 MT in Calendar Year (CY) 2006. Post forecasts asparagus production at 208,000 MT in CY 2007. Peru produces asparagus for two different markets: green asparagus, about 45 percent of total production, for the United States, and white asparagus for the European market.

Production area is estimated to be 20,500 hectares in CY 2006, a slight increase from the previous year due to new investments. Harvested area is also expected to increase slightly, to 19,000 hectares. Average yields are around 10 tons per hectare, but can reach as high as 20 tons per hectare among some of the most efficient producers. Average yields have increased significantly over the past years, about 30 percent, due to the use better technology and a thorough knowledge of the crop.

Fresh asparagus exports in CY 2005 reached 80,029 MT; increasing 11 percent compared to the previous year and is expected to reach 83,000 MT in CY 2006. Processed asparagus exports in CY 2005 were at 49,345 MT. The U.S. continues to be by far the largest market for Peruvian fresh asparagus, accounting for 74 percent of the market and 54 percent of total Peruvian asparagus market in 2005.

The asparagus industry has become a key sector for Peruvian economic development. This industry generates about 70,000 jobs, of which about 30,000 are women. Asparagus producers and processors are very active supporters of the U.S.-Peru Free Trade Agreement. With growing production and competition from other countries, especially China, Peruvian asparagus producers need to maintain trade benefits from their two main markets, U.S. and E.U.

Asparagus exporters have implemented a check-off system to finance marketing programs. These activities are carried out by the Peruvian Asparagus and Horticulture Institute (IPEH) which was established in 1998 in an effort to increase marketing activities as well as improve relations with the government.

PSD Table							
Country	Peru						
Commodity	Asparagus, Fresh				(HA)(MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY Y
Area Planted	20000	20000	20000	20500	0	20500	(HA)
Area Harvested	18500	18500	18500	19000	0	19000	(HA)
TOTAL Production	196000	201000	200000	205000	0	208000	(MT)
Imports, Fresh	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	196000	201000	200000	205000	0	208000	(MT)
Exports, Fresh	78000	80029	80000	83000	0	85000	(MT)
Domestic Fresh Market	6000	6000	6000	6000	0	6000	(MT)
For Processing	112000	114971	114000	116000	0	117000	(MT)
TOTAL UTILIZATION	196000	201000	200000	205000	0	208000	(MT)

Export Trade Matrix	
Country	Peru
Commodity	Asparagus, Fresh
Time Period	CY 2005
Exports for:	
U.S.	59,119
Others	
Spain	6,562
Netherlands	5,452
U.K.	4,682
Belgium	762
Germany	575
Australia	506
Japan	403
France	370
Italy	258
Total for Others	19,570
Others not Listed	1,340
Grand Total	80,029

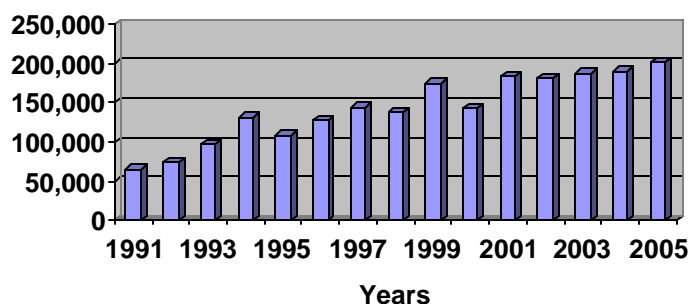
Units: Metric Tons

Production

Asparagus production in Peru continues increasing and is expected to reach 205,000 MT in CY 2006. Even though the industry claims that the international demand for asparagus has reached a mature point, Peruvian production and exports continue growing. Post forecasts asparagus production at 208,000 MT in CY 2007.

Due to favorable weather, warm and no rain, that inhibits the asparagus plant to enter a dormant stage, Peru is one of the few countries where high quality asparagus is produced year round. Peru produces asparagus for two different markets: green asparagus for the United States, and white asparagus for the European market. Green asparagus, which is about 45 percent of total production, is sent fresh to the U.S. packed in 5 kilogram boxes, while white asparagus is processed then exported in cans or jars to Europe.

Asparagus Production (MT)



After the opening of the economy in the 1990s, Peru's agriculture began a process of land concentration. This process occurred almost exclusively on the coast and asparagus producers have been the most active players and have benefited the most. This consolidation has made modern agriculture profitable, attracting investment from other sectors of the economy, such as mining and fisheries, as well as foreign. Investors were drawn to asparagus due to high profitability and a fairly stable foreign demand.

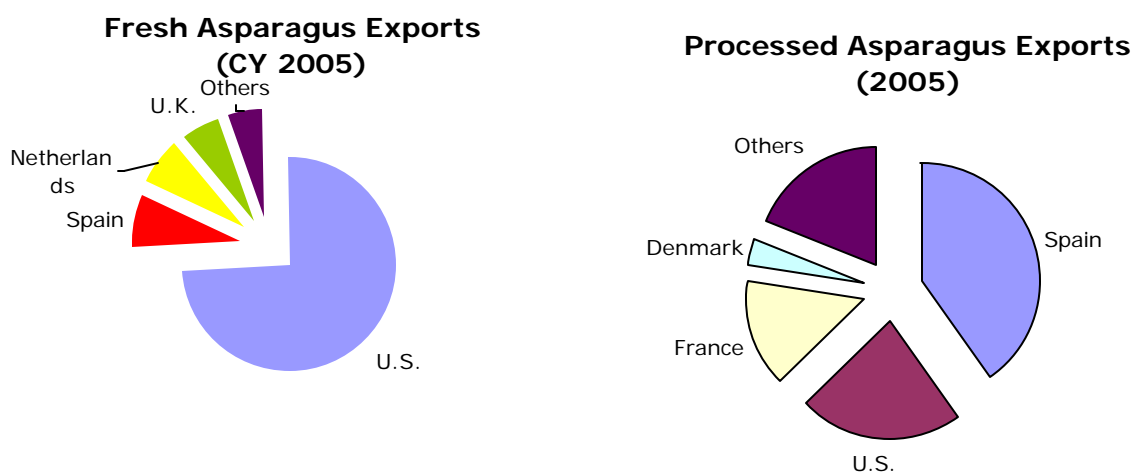
Crop Area and Yields

Production area is estimated to be 20,500 hectares in CY 2006, a slight increase from the previous year due to new investments. Harvested area is also expected increase slightly, to 19,000 hectares. Average yields have increased significantly, about 30 percent, over the past years, due to the use better technology (efficient fertilization and nutrient supply through water) and a thorough knowledge of the crop. Even though production and capital credits are expensive, and production costs are rising, asparagus is still a profitable crop. Farmers in the coastal valleys of Peru are attracted to asparagus more than any other crop, because of the possibilities in the international market.

Average yields are around 10 tons per hectare, but can reach as high as 20 tons per hectare among some of the most efficient producers. Asparagus producers in the Ica region (south of Lima) are usually more efficient. Because surface water only flows from November to March, most producers have wells and drip irrigation systems, which make water available but expensive, due to the high local cost of fuel. Green asparagus production requires more water than white asparagus.

Trade

Fresh asparagus exports in CY 2005 reached 80,029 MT; increasing 11 percent compared to the previous year and is expected to reach 83,000 MT in CY 2006. Processed asparagus exports in CY 2005 were at 49,345 MT. With \$ 263 million worth on exports in CY 2005, asparagus is Peru's second largest agricultural export.



The U.S. continues to be by far the largest market for Peruvian fresh asparagus, accounting for 74 percent of the market and 54 percent of the total Peruvian asparagus market in 2005. Spain continues to be Peru's second most important asparagus customer, with 42 percent of processed asparagus exports and 20 percent of total asparagus exports in 2005. Other important markets are France, the U.K. and the Netherlands.

Peruvian exporters have seen a sharp reduction in prices in the U.S. market, supply in the U.S. has outpaced demand. Ten years ago a 5-kilogram box of fresh asparagus sold for \$50 and now it can fall as low as \$9 a box, when the California harvest begins. Usually Peruvian producers start sending their crop to the U.S. market between mid June and September at prices ranging from \$14 to \$16. Some producer even try to hold their crop for Thanksgiving or Christmas when prices reach their highest.

Chinese asparagus exports are a major source of worries for Peruvian producers. Ninety percent of Peruvian agricultural exports, including asparagus, enter duty free to the European Community. Despite the 16 percent import duty assessed to Chinese asparagus, it still is cheaper than Peruvian. Though China only affects the processed asparagus market, it has reduced asparagus prices in Europe sharply over the last four years.

Another difficulty that Peruvian exporters face is expensive freight. Historically air freight cost from Lima to Miami has been around \$0.85 per kilogram, current cost is \$1.25

per kilogram. The main reason for this increase is the lack of merchandise for the return flight. Currently, freight is up to 45 percent of the total cost of the landed price in the U.S.

Policy

The asparagus industry has become a key sector for Peruvian economic development. This industry generates about 70,000 jobs, of which about 30,000 are women. Asparagus producers and processors were very supportive in the negotiations to sign the U.S.-Peru Trade Promotion Agreement (TPA).

Peruvian asparagus currently receive duty free access under ATPDEA and will maintain that benefit under TPA. Without TPA asparagus would be assessed a 21 percent import duty which will make it less competitive. With growing production and competition from other countries, especially China, Peruvian asparagus producers need to maintain trade benefits from their two main markets, the U.S. and the E.U.

The GOP does not have an official policy to encourage asparagus production. Most of the GOP's effort is on the marketing side through "Prompex" (the export promotion committee). This rather new organization has been active and has had some success promoting agricultural exports. Prompex activities include a commercial mission to the Produce Marketing Association (PMA) annually in the U.S. Producers have been satisfied with the outcome of this activity and have been able to contact new potential customers, especially supermarket chains.

Asparagus exporters have implemented a check-off system to financed marketing programs which include consumption promotion, phytosanitary protection, quality control certification and an information system to supply producers with the latest developments on worldwide and national production and prices. All these activities are carried out by the Peruvian Asparagus and Horticulture Institute (IPEH), which was established in 1998.